

SLND-GUARANTOR BULLETIN

#2-03

March 31, 2003

1. Exit Counseling Requirements for Student Reservists Called to Active Duty Clarified by ED

ED has clarified the guidance contained in GEN-01-13. According to Department officials, since a borrower who is ordered to active duty while in an in-school status retains that status for up to three years, including the time needed for the borrower to resume enrollment, “the school does not need to send written counseling materials unless the student does not return to school by the end of the three-year period.”

However, if the school chooses to send the exit counseling materials at the time the student is called to active duty, ED would consider the school to have met the exit counseling requirements if the student does not return to the school. “If the student does return to the school after military service, the school will have to comply with the exit counseling requirements again before the student graduates or otherwise ceases to be enrolled at least half-time,” ED noted. (*NASFAA News*, February 26, 2003)

2. Deferment Forms

SLND-Guarantor has received many of the new deferment forms. If you have outdated forms in your office, please discard them and contact Elaine at 701-328-5754 or 1-800-472-2166 ext. 5754 for an updated supply. The latest expiration date on those deferments is 09/30/2005. The revised forms must be distributed and used in response to borrower requests received on or after July 1, 2003. However, if a loan holder receives a previously approved form after that date, the holder should process the form. The loan holder is responsible for ensuring that the previously approved form is processed using the applicable regulatory provisions.

3. Military Mobilization DCL Published – GEN-03-06

G-03-347

L-03-241

This Dear Colleague Letter updates guidance that was provided in the September 2001 Dear Colleague Letter. This letter updates that guidance for students and borrowers who are military personnel and who are activated or reassigned for a period of more than 30 days as a result of military mobilization. Click here for complete details: <http://ifap.ed.gov/dpcletters/G03347.html>

4. Common Manual Updates

Batch 97 and 99 Common Manual policy changes include the topics of:

Foreign Income for Economic Hardship Deferment

Treatment of Payments after Total and Permanent Disability Claim Filing

Mandatory Administrative Forbearance

Applying for a Stafford Loan

Deferment Eligibility for Consolidation Loans

Next Due Dates for PLUS and SLS Loans

Claim Purchase and Claim Returns

Claim Purchase Time Frames

Organizational Changes to Text

Reissuing a Loan Disbursement

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update in 2003. These changes will also be incorporated into the January 2003 *Integrated Common Manual*. The *Integrated Common Manual* is available on NCHELP's website at www.NCHELP.org in the e-library, and it is also available on several guarantor websites. However, these changes are effective before the next update is scheduled to be delivered.

Foreign Income for Economic Hardship Deferment

The *Common Manual* has been revised to clarify that a borrower may be eligible for an economic hardship deferment if documentation of the borrower's income is in foreign currency, provided that, after conversion to U.S. dollars, the borrower's income meets the deferment eligibility criteria applicable to poverty guidelines for the last state in which the borrower resided.

Affected Sections: 7.10.P
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: Economic Hardship Deferment Request Form, Section 6, Bullet 7.
Policy Information: 636/Batch 100
Guarantor Comments: None.

Treatment of Payments after Total and Permanent Disability Claim Filing

The *Common Manual* is revised to standardize policy applicable to a lender's receipt of payments from or on behalf of a borrower after the lender has filed a total and permanent disability claim but before the lender receives the claim payment. The policy specifies that, under these circumstances, the lender must hold the borrower payment. After the lender receives the claim payment, the lender must forward the borrower payment to the guarantor and notify the borrower or other party who sent the payment that there is no obligation to make further payments, unless otherwise directed.

Affected Sections: 8.2.C, ^{CCI} 8.2.C
Effective Date: Borrower payments received by the lender on or after April 1, 2003, unless implemented earlier by the guarantor.
Basis: DCL GEN-02-03.
Policy Information: 637/Batch 100
Guarantor Comments: None.

Mandatory Administrative Forbearance

The *Common Manual* has been updated to clarify that a lender must grant a mandatory administrative forbearance due to a local or national emergency, disaster, or military mobilization until the Department or guarantor notifies the lender that the forbearance period no longer applies. For other situations requiring a mandatory administrative forbearance, the lender determines the ending date of the forbearance period.

Affected Sections: 7.11.D
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.211(i)(2)
Policy Information: 638/Batch 100
Guarantor Comments: None.

Applying for a Stafford Loan

The *Common Manual* has been updated to align subsection 2.2.A with existing policy language that clarifies that the Free Application for Federal Student Aid (FAFSA) is the only application a student may use to apply for a Stafford loan.

Affected Sections: 2.2.A
Effective Date: Retroactive to the implementation of the Master Promissory Note (MPN).
Basis: HEA 432(m)(1)(c); §682.102(a); *Federal Register* dated November 1, 1999.
Policy Information: 639/Batch 100
Guarantor Comments: None.

Deferment Eligibility for Consolidation Loans

A new footnote has been added to the Deferment Eligibility Chart to clarify that a borrower who obtains a Federal Consolidation loan that repaid a loan(s) made before July 1, 1987, for a period of enrollment beginning before July 1, 1987, is eligible for an in-school deferment only if the borrower is attending school full time. In addition, this deferment eligibility requirement will be added to appendix H.

Affected Sections: 7.9
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.210(b)(7)
Policy Information: 640/Batch 100
Guarantor Comments: None.

Economic Hardship Deferment

The *Common Manual* has been revised to coordinate the policy language related to the determination of the borrower's Title IV debt burden with federal regulations and with the requirements of the Economic Hardship Deferment Request form issued in Dear Colleague Letter GEN 02-08. The revised policy specifies that the lender must include defaulted loans when determining the borrower's Title IV debt burden for the purposes of an economic hardship deferment if the borrower provides documentation that he or she has made repayment arrangements satisfactory to the holder of the defaulted loans.

Affected Sections: 7.10.P
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: 34 CFR 682.210(s); Economic Hardship Deferment Request form, issued in Dear Colleague Letter GEN-02-08.
Policy Information: 631/Batch 101
Guarantor Comments: None.

Next Due Dates for PLUS and SLS Loans

When establishing the next payment due date on a PLUS or SLS loan following a period of forbearance, deferment, or post-deferment grace, the lender may provide the borrower a due date that is no later than 60 days after the end of the forbearance, deferment, or post-deferment grace period. The due date may be later than 60 days if the borrower makes a prepayment during the period that advances the due date. Previous policy required the lender to establish the next payment due date no later than 45 days after the end of the applicable period.

Affected Sections: 7.4.B, 7.4.C
Effective Date: Next payment due dates for PLUS and SLS loans established by the lender on or after November 1, 2002.
Basis: None.
Policy Information: 641/Batch 101
Guarantor Comments: None.

First and Next Payment Due Dates for Stafford Loans

The *Common Manual* has been revised to reflect revised regulations regarding Stafford loan first payment due dates and next payment due dates following periods of forbearance, deferment, and post-deferment grace. Lenders are required to establish a Stafford borrower's first payment due date no later than 60

days, not 45 days as previously required, after the repayment start date. Lenders also are required to establish the due date following a period of forbearance, deferment, or post-deferment grace no later than 60 days, not 45 days as previously required, after the end of that period.

Previously, lenders were required to establish the first payment due date on a Stafford loan no later than 45 days after the repayment start date and the next payment due date no later than 45 days after a period of forbearance, deferment or post-deferment grace.

Affected Sections: 7.4.B, 7.9.G, 7.10.B, 7.11.K
Effective Date: First payment due dates and next payment due dates established by the lender on or after November 1, 2002.
Basis: 34 CFR 682.209(a)(3)(ii).
Policy Information: 642/Batch 101
Guarantor Comments: None.

Claim Purchase and Claim Returns

The *Common Manual* has been revised to reflect changes in federal regulations regarding the time frame in which the guarantor must purchase an approved total and permanent disability claim or return the claim. Guarantors are required to purchase an approved total and permanent disability claim or return the claim not later than 90 days after the claim was received by the guarantor. Previously, guarantors were required to purchase an approved total and permanent disability claim or return the claim not later than 45 days after receiving the claim from the lender.

Affected Sections: 8.4, ^{CCI}8.4, 8.6, ^{CCI}8.6
Effective Date: Total and permanent disability claims received by the guarantor on or after July 1, 2003, unless implemented earlier by the guarantor.
Basis: 34 CFR 682.402(h).
Policy Information: 643/Batch 101
Guarantor Comments: None.

Claim Purchase Time Frames

The *Common Manual* has been updated to clarify that for an unpaid refund discharge request for a closed school, the guarantor is required to purchase an approved discharge request or return the request to the lender within 45 days. For an unpaid refund discharge request for an open school, the guarantor may take up to 120 days to resolve the unpaid refund with the school. The guarantor is required to purchase an approved discharge request or return it to the lender within 45 days from the date the eligibility determination is made. A cross reference to subsection 8.2.I has been added.

Affected Sections: 8.6, ^{CCI}8.6
Effective Date: Unpaid refund discharges granted on or after July 1, 2000, for loans disbursed, in whole or in part, on or after January 1, 1986.
Basis: 34 CFR 682.402(l)(2)(ii); 34 CFR 682.402(n)(1).
Policy Information: 644/Batch 101
Guarantor Comments: None.

Organizational Changes to Text

The *Common Manual* has been revised to eliminate information related to guarantor processing. The *Common Manual* was established to provide information regarding guarantor policies related to school and lender requirements and does not provide information related to guarantor services, processing, or those policies related to the guarantors' administrative issues. The manual has also been revised to combine related information from two subsections into one.

Affected Sections: 6.1.B, 6.1.G
Effective Date: July 1, 2003.
Basis: None.
Policy Information: 645/Batch 101
Guarantor Comments: None.

Reissuing a Loan Disbursement

The *Common Manual* has been revised to provide an explanation of the circumstances under which a lender may reissue a disbursement. A lender may reissue a loan disbursement if the original disbursement was made according to the school's disbursement schedule, the loan was canceled or not consummated, and the school subsequently determines that the student should have received the disbursement.

Affected Sections: 6.2.G
Effective Date: July 1, 2003.
Basis: None.
Policy Information: 646/Batch 101
Guarantor Comments: None.